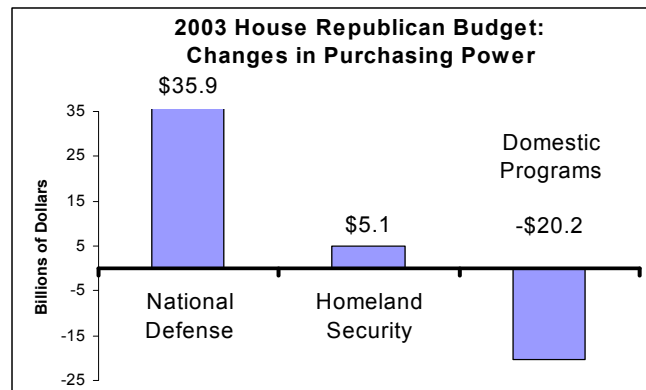


Appropriated Programs

The House Republican budget reflects the President's 2003 budget's emphasis on "the war on terrorism and the defense of our homeland." Thus, it provides the same level of funding for national defense, international affairs, and homeland security programs as provided by the President's budget. Similar to the President's budget, the House Republican budget provides large increases in these areas while cutting funding for domestic discretionary programs. Since national defense, international affairs, and homeland security are discussed elsewhere in this report, this section focuses primarily on domestic appropriated programs.

For 2003, the House Republican budget provides a total of \$795.8 billion for all appropriated programs, including obligation limitations for transportation programs see (*Function 400 (Transportation)* for discussion of transportation programs in the House Republican budget). This level of funding is \$5.5 billion more than provided by the President's budget.³

As the table on the next page indicates, the Republican budgets increase funding for national defense by \$45.2 billion and non-defense homeland security by \$5.8 billion over the 2002 enacted levels. The Republican budgets also increase funding for international affairs programs by \$1.3 billion over the 2002 enacted level. However, the House Republican budget cuts funding for non-defense, non-homeland security domestic programs by \$7.8 billion below the 2002 enacted level. This is a \$20.2 billion (5.4 percent) cut in constant purchasing power for domestic programs for 2003. In contrast, as the chart above shows, funding for defense increases by \$35.9 billion and homeland security by \$5.1 billion above CBO's estimate of the amount needed to maintain purchasing power at the 2002 level.⁴



- **Further Squeeze on Domestic Programs** — As discussed, the House Republican budget cuts funding for domestic programs not related to homeland security by \$7.8 billion below the 2002 enacted level. This is \$20.2 billion (5.4 percent) below CBO's estimate of the

³The President's budget also includes a proposal to account for the full cost of accruing all pensions, retired pay, and retiree health benefits for all non-uniformed federal employees. The total amount of this proposal is \$9.0 billion and it does not represent a programmatic increase. As discussed at the end of this section, the House Republican budget does not display funding for this proposal.

⁴Using OMB rather than CBO estimates to calculate the level needed to maintain constant purchasing power, the House Republican budget cuts domestic funding by \$17.9 billion.

amount needed to maintain purchasing power at the 2002 level. To the extent that the budget increases funding for a few high-profile programs, such as the National Institutes of Health and special education, the remaining programs face even steeper cuts, some that Congress has repeatedly refused to make in past years.

Funding for Appropriated Programs

(Budget Authority and Obligation Limitations in Billions of Dollars)

| | <u>2002</u> | <u>2003</u> | <u>Change</u> | <u>Percent Change</u> |
|-------------------------------|--------------|--------------|---------------|-----------------------|
| National Defense* | 347.6 | 392.7 | 45.2 | 13.0% |
| Non-Defense Homeland Security | 17.6 | 23.3 | 5.8 | 32.8% |
| International Affairs | 24.0 | 25.3 | 1.3 | 5.5% |
| Domestic Programs | <u>362.2</u> | <u>354.4</u> | <u>-7.8</u> | <u>-2.1%</u> |
| Total | 751.3 | 795.8 | 44.5 | 5.9% |

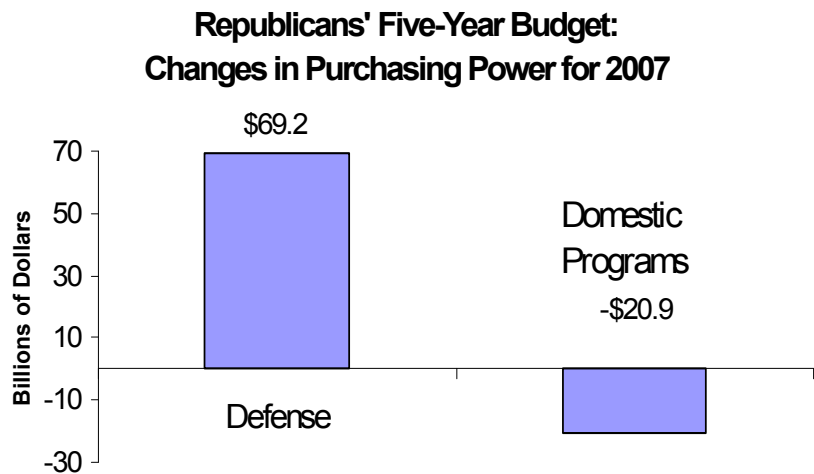
Notes: The 2002 levels are CBO estimates. Domestic Programs include budget authority and transportation obligation limits. Non-Defense Homeland Security also excludes international affairs funding (primarily embassy security).

*National Defense is budget Function 050, which includes the Department of Defense and the nuclear weapons-related activities of the Department of Energy.

- ***Domestic Funding Falls Further Behind by 2007***

— The House Republican budget assumes unrealistically low funding levels not only for 2003, but for five straight years. Over the five years, domestic appropriations are \$96.3 billion below CBO's estimate of the amount needed to maintain current purchasing power

at the 2002 level. By 2007, total domestic appropriations are \$21.0 billion (5.1 percent) below the amount needed to maintain current purchasing power. In contrast, national defense funding by 2007 will be \$69.2 billion (17.5 percent) more than CBO's estimate of the amount needed to maintain purchasing power at the 2002 level.



- ***Unrealistic Cuts in Domestic Appropriations*** — Since domestic appropriations have grown faster than the rate of inflation for decades, it is unrealistic to assume that Congress will suddenly reverse priorities and cut domestic programs by 5.4 percent for 2003. If one adds in a more realistic level of appropriations for non-defense, non-homeland security programs, it is clear that the budget deficit will be even deeper than the Republican budgets admit and will last even longer than the budgets project.
- ***Pending Supplemental Request for 2002*** — The House Republican budget is also unrealistic because it does not make any accommodation for the 2002 supplemental the Administration plans to submit to Congress in the near future. This supplemental will include billions of dollars for the war on terrorism, assistance to New York City, and perhaps other items – such as homeland security – as well. Of course, the supplemental funding will result in additional outlays of several billions of dollars for 2003, so the budget deficit for 2003 will be accordingly larger.
- ***House Republicans Fix Some of the President's Highway Funding Cut*** — The President's budget cuts 2003 federal-aid highway funding to \$23.2 billion, a cut of \$8.6 billion (27.0 percent) below the 2002 enacted level. This dramatic cut is consistent with a provision in the Transportation Equity Act for the 21st Century (TEA-21) that links highway funding levels with highway use tax collections. Such a steep decline in federal aid could force states to abandon or postpone many highway projects and result in the loss of thousands of highway construction jobs while the nation is still recovering from the recession. The House Republican budget adds back \$4.4 billion, which means that federal-aid highway funding is still \$4.2 billion less than the 2002 enacted level. See *Function 400 (Transportation)* for further information.
- ***Reserve Fund for Accrual Accounting for Federal Employees*** — The House Republican budget does not include the President's proposal for an accounting change to show up front (through accrual accounting, already used for federal credit programs) all retirement pension and health costs for all federal employees beginning in 2003. The discretionary portion of this accounting change would be \$9.0 billion for 2003, but it would not reflect any programmatic increases and it would have no effect on the budget surplus or deficit because it is merely an intergovernmental transfer.⁵ Under current federal accounting procedures, these retirement costs are future mandatory payments and are not included in agency costs.

⁵ Each agency would pay the accrual costs of employees' retirement and health costs to the various retirement and health trust funds. The expenditure from one account would be entirely offset by the receipt of an identical amount in another governmental account. The net impact on the surplus is thus zero.

The House Republican budget includes a reserve fund allowing the spending allocations of the appropriate House committees to be adjusted should the accrual accounting proposal be enacted. Unlike the House Republican budget's other reserve funds, the \$9.0 billion for accrual accounting does not appear in the total of funding for appropriated programs. However, since the adoption of accrual accounting would not affect the surplus, the reserve fund — even if used — would not add to or subtract from the deficits already included in the House Republican budget.